



House of Representatives

General Assembly

File No. 146

February Session, 2004

Substitute House Bill No. 5068

House of Representatives, March 18, 2004

The Committee on Public Safety reported through REP. DARGAN of the 115th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING LOTTERY VENDOR, AFFILIATE AND OCCUPATIONAL LICENSES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-815a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 [The executive director of the Division of Special Revenue shall
4 require the person or business organization awarded the primary
5 contract by the Connecticut Lottery Corporation to provide facilities,
6 components, goods or services which are necessary for the operation of
7 the activities of said corporation to submit to state and national
8 criminal history records checks. No such person or business
9 organization may provide such facilities, components, goods or
10 services unless such person or business organization submits to a state
11 police background investigation in accordance with subsection (i) of
12 section 12-574 or is issued a vendor license by the executive director of
13 the Division of Special Revenue. The criminal history records checks

14 required pursuant to this section shall be conducted in accordance
15 with section 29-17a.]

16 (a) The executive director of the Division of Special Revenue shall
17 issue vendor, affiliate and occupational licenses in accordance with the
18 provisions of this section.

19 (b) No person or business organization awarded a primary contract
20 by the Connecticut Lottery Corporation to provide facilities,
21 components, goods or services that are necessary for and directly
22 related to the secure operation of the activities of said corporation shall
23 do so unless such person or business organization is issued a vendor
24 license by the executive director of the Division of Special Revenue.
25 For the purposes of this subsection, "primary contract" means a
26 contract to provide facilities, components, goods or services to said
27 corporation by a person or business organization (1) that provides any
28 lottery game or any online wagering system related facilities,
29 components, goods or services and that receives or, in the exercise of
30 reasonable business judgment, can be expected to receive more than
31 seventy-five thousand dollars or twenty-five per cent of its gross
32 annual sales from said corporation, or (2) that has access to the
33 facilities of said corporation and provides services in such facilities
34 without supervision by said corporation. Each applicant for a vendor
35 license shall pay a nonrefundable application fee of two hundred
36 dollars.

37 (c) No person or business organization, other than a shareholder in
38 a publicly traded corporation, may be a subcontractor for the provision
39 of facilities, components, goods or services that are necessary for and
40 directly related to the secure operation of the activities of the
41 Connecticut Lottery Corporation, or may exercise control in or over a
42 vendor licensee unless such person or business organization is licensed
43 as an affiliate licensee by the executive director. Each applicant for an
44 affiliate license shall pay a nonrefundable application fee of two
45 hundred dollars.

46 (d) (1) Each employee of a vendor or affiliate licensee who has

47 access to the facilities of the Connecticut Lottery Corporation and
48 provides services in such facilities without supervision by said
49 corporation or performs duties directly related to the activities of said
50 corporation shall obtain an occupational license.

51 (2) Each officer, director, partner, trustee or owner of a business
52 organization licensed as a vendor or affiliate licensee and any
53 shareholder, executive, agent or other person connected with any
54 vendor or affiliate licensee who, in the judgment of the executive
55 director, will exercise control in or over any such licensee shall obtain
56 an occupational license.

57 (3) Each employee of the Connecticut Lottery Corporation shall
58 obtain an occupational license.

59 (e) The executive director shall issue occupational licenses in the
60 following classes: (1) Class I for persons specified in subdivision (1) of
61 subsection (d) of this section; (2) Class II for persons specified in
62 subdivision (2) of subsection (d) of this section; (3) Class III for persons
63 specified in subdivision (3) of subsection (d) of this section who, in the
64 judgment of the executive director, will not exercise authority over or
65 direct the management and policies of the Connecticut Lottery
66 Corporation; and (4) Class IV for persons specified in subdivision (3) of
67 subsection (d) of this section who, in the judgment of the executive
68 director, will exercise authority over or direct the management and
69 policies of the Connecticut Lottery Corporation. Each applicant for a
70 Class I or III occupational license shall pay a nonrefundable
71 application fee of ten dollars. Each applicant for a Class II or IV
72 occupational license shall pay a nonrefundable application fee of fifty
73 dollars. The nonrefundable application fee shall accompany the
74 application for each such occupational license.

75 (f) In determining whether to grant a vendor, affiliate or
76 occupational license to any such person or business organization, the
77 executive director may require an applicant to provide information as
78 to such applicant's: (1) Financial standing and credit; (2) moral
79 character; (3) criminal record, if any; (4) previous employment; (5)

80 corporate, partnership or association affiliations; (6) ownership of
81 personal assets; and (7) such other information as the executive
82 director deems pertinent to the issuance of such license, provided the
83 submission of such other information will assure the integrity of the
84 state lottery. The executive director shall require each applicant for a
85 vendor, affiliate or occupational license to submit to state and national
86 criminal history records checks and may require each such applicant to
87 submit to an international criminal history records check before such
88 license is issued. The state and national criminal history records checks
89 required pursuant to this subsection shall be conducted in accordance
90 with section 29-17a. The executive director shall issue a vendor,
91 affiliate or occupational license, as the case may be, to each applicant
92 who satisfies the requirements of this subsection and who is deemed
93 qualified by the executive director. The executive director may reject
94 for good cause an application for a vendor, affiliate or occupational
95 license.

96 (g) Each vendor, affiliate or Class I or II occupational license shall be
97 effective for not more than one year from the date of issuance. Each
98 Class III or IV occupational license shall remain in effect throughout
99 the term of employment of any such employee holding such a license.
100 The executive director may require each employee issued a Class IV
101 occupational license to submit information as to such employee's
102 financial standing and credit annually. Initial application for and
103 renewal of any such license shall be in such form and manner as the
104 executive director shall prescribe.

105 (h) (1) The executive director may suspend or revoke for good cause
106 a vendor, affiliate or occupational license after a hearing held before
107 the executive director in accordance with chapter 54. The executive
108 director may order summary suspension of any such license in
109 accordance with subsection (c) of section 4-182.

110 (2) Any such applicant aggrieved by the action of the executive
111 director concerning an application for a license, or any person or
112 business organization whose license is suspended or revoked, may

113 appeal to the Gaming Policy Board not later than fifteen days after
114 such decision. Any person or business organization aggrieved by a
115 decision of the board may appeal pursuant to section 4-183.

116 (3) The executive director may impose a civil penalty on any
117 licensee for a violation of any provision of this chapter or any
118 regulation adopted under section 12-568a in an amount not to exceed
119 two thousand five hundred dollars after a hearing held in accordance
120 with chapter 54.

121 (i) The executive director may require that the books and records of
122 any vendor or affiliate licensee be maintained in any manner which the
123 executive director may deem best, and that any financial or other
124 statements based on such books and records be prepared in
125 accordance with generally accepted accounting principles in such form
126 as the executive director shall prescribe. The executive director or a
127 designee may visit, investigate and place expert accountants and such
128 other persons as deemed necessary in the offices or places of business
129 of any such licensee for the purpose of satisfying himself that such
130 licensee is in compliance with the regulations of the division.

131 (j) For the purposes of this section, (1) "business organization"
132 means a partnership, incorporated or unincorporated association, firm,
133 corporation, trust or other form of business or legal entity; (2) "control"
134 means the power to exercise authority over or direct the management
135 and policies of a licensee; and (3) "person" means any individual.

136 (k) The executive director of the Division of Special Revenue may
137 adopt such regulations, in accordance with chapter 54, as are necessary
138 to implement the provisions of this section.

139 Sec. 2. Section 12-557e of the general statutes is repealed and the
140 following is substituted in lieu thereof (*Effective from passage*):

141 The Gaming Policy Board shall work in cooperation with the
142 Division of Special Revenue to implement and administer the
143 provisions of this chapter and chapter 226b. In carrying out its duties

144 the board shall be responsible for: (1) Approving, suspending or
145 revoking licenses issued under subsection (a) of section 12-574; (2)
146 approving contracts for facilities, goods, components or services
147 necessary to carry out the provisions of section 12-572; (3) setting
148 racing and jai alai meeting dates, except that the board may delegate to
149 the executive director the authority for setting make-up performance
150 dates within the period of a meeting set by the board; (4) imposing
151 fines on licensees under subsection (j) of [said] section 12-574; (5)
152 approving the types of pari-mutuel betting to be permitted; (6)
153 advising the executive director concerning the conduct of off-track
154 betting facilities; (7) assisting the executive director in developing
155 regulations to carry out the provisions of this chapter and chapter 226b
156 and approving such regulations prior to their adoption; (8) hearing all
157 appeals taken under subsection (j) of [said] section 12-574 and section
158 [12-802b] 12-815a, as amended by this act; and (9) advising the
159 Governor on state-wide plans and goals for legalized gambling.

160 Sec. 3. Section 12-806a of the general statutes is repealed and the
161 following is substituted in lieu thereof (*Effective from passage*):

162 As used in this section, "procedure" shall have the same meaning as
163 "procedure", as defined in subdivision (2) of section 1-120. The
164 Division of Special Revenue shall, for the purposes of sections 12-557e
165 and 12-568a, subsection (d) of section 12-574 and sections 12-802a, [12-
166 802b,] 12-815a, as amended by this act, and this section, [and section
167 12-815a,] regulate the activities of the Connecticut Lottery Corporation
168 to assure the integrity of the state lottery. In addition to the
169 requirements of the provisions of chapter 12 and notwithstanding the
170 provisions of section 12-806, the Connecticut Lottery Corporation shall,
171 prior to implementing any procedure designed to assure the integrity
172 of the state lottery, obtain the written approval of the executive
173 director of the Division of Special Revenue in accordance with
174 regulations adopted under section 12-568a.

175 Sec. 4. (*Effective from passage*) Section 12-802b of the general statutes
176 is repealed.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>
Sec. 3	<i>from passage</i>
Sec. 4	<i>from passage</i>

Statement of Legislative Commissioners:

In subsection (c) of section 1, the words "person or" were inserted before "business organization" for accuracy and consistency. In subsection (j) of section 1, definitions of "business organization" and "person" were incorporated for clarity.

PS *Joint Favorable Subst.-LCO*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect
Spec. Revenue, Div. of	GF - None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill is not anticipated to have any fiscal impact since it codifies current practices of the Division of Special Revenue regarding the licensing of lottery vendors. Currently, DSR is collecting about \$2,000 in revenue from the \$200 annual licensure fee.

OLR Bill Analysis**sHB 5068*****AN ACT CONCERNING LOTTERY VENDOR, AFFILIATE AND OCCUPATIONAL LICENSES*****SUMMARY:**

This bill expands the types of people and business organizations dealing with the Connecticut Lottery Corporation (CLC) that must be licensed by the Division of Special Revenue (DSR), thus making the law conform to regulations, in some cases. It requires DSR to issue all the licenses in accordance with the bill and prescribe the form and manner of applications. The licenses, fees, and licensing procedures are generally the same as those that apply to pari-mutuel wagering, which DSR regulates. The bill gives DSR explicit authority to regulate CLC activities in connection with these licensing activities.

The bill makes the law conform to agency regulations by requiring a different occupational license for CLC upper management employees than the one for other CLC employees.

The bill gives the DSR executive director specific authority to reject license applications or suspend or revoke licenses for good cause and impose a civil fine of up to \$2,500 on licensees who violate CLC laws or regulations. The amount is the same as what he may now levy on people to whom he issues licenses pertaining to off-track betting activities. The executive director may impose the fines only after a hearing held in accordance with the Uniform Administrative Procedures Act (UAPA).

The bill allows the executive director to adopt necessary implementing regulations.

EFFECTIVE DATE: Upon passage

VENDOR LICENSING AND INVESTIGATION

Current law requires any person or business organization awarded CLC's primary contract to provide it with necessary goods, services,

facilities, or components for the state lottery to (1) undergo both state and national criminal history record checks and (2) either undergo a State Police background check or obtain a DSR vendor license (which process includes a State Police background check).

The bill makes the law conform to agency practice by requiring vendors with a primary contract to be licensed. It changes the standard for vendor licensing by requiring the license for businesses or persons with a primary contract to provide facilities, components, goods, or services necessary for, and directly related to, CLC's secure operation. It defines a "primary contract" as one under which a person or business organization that (1) provides any lottery game or any online wagering system-related facilities, components, goods, or services and receives or, in the exercise of reasonable business judgment, may be expected to receive more than \$75,000 or 25% of its gross annual sales from CLC or (2) has access to CLC facilities and provides services there without CLC supervision.

The annual nonrefundable license fee is \$200.

Affiliate License

The bill establishes a Class II affiliate license for any person or business organization, other than shareholders in a publicly traded corporation, with a subcontract to provide facilities, components, goods, or services that are necessary for, and directly related to, the secure operation of CLC activities. The license is also required for businesses that exercise control in or over a vendor licensee.

The annual nonrefundable license fee is \$200.

CLC Occupational License

By law, CLC employees must have an occupational license, which is not subject to renewal and valid for as long as they are employed by CLC.

The bill requires a separate Class IV occupational license for those employees the executive director believes will exercise authority over or direct CLC's management and policies and a Class III license for other employees. The bill retains the executive director's discretionary authority to have Class IV employees update information on their financial standing and credit annually but eliminates it for the other

employees.

The nonrefundable license fee for a Class III license is \$10, and for a Class IV, \$50.

Other Occupational Licenses

The bill makes the law conform to practice by requiring a Class I occupational license for a vendor's employees who have access to CLC facilities and work there unsupervised by CLC or perform duties directly related to CLC activities. It establishes the same license requirements for an affiliate's employees with the same status.

The annual nonrefundable license fee is \$10.

The bill also establishes a Class II occupational license for officers, directors, partners, trustees, or owners of a business organization licensed as a vendor or affiliate and shareholders, executives, agents, or other people connected with such licensees if the executive director believes they will exercise control in or over the vendor or affiliate.

The annual nonrefundable license fee is \$50.

License Issuing Considerations

In determining whether to grant any license, the executive director may require applicants to provide him with the same information that CLC occupational licensees must now provide by law. He may request information on their:

1. financial standing and credit, which must be updated annually, at the director's request (except for CLC Class III licensees);
2. moral character;
3. criminal record, if any;
4. previous employment;
5. corporate, partnership, or association affiliations; and
6. ownership of personal assets.

The director may also ask for other information he deems pertinent to secure the lottery's integrity.

The bill requires all licensees to undergo state and national criminal history record checks, which are already required for the primary vendor and CLC occupational licenses, and it allows the executive director to require applicants to undergo international criminal history record checks as well. If an applicant satisfies the licensing requirements and the executive director deems him qualified, he must issue the license. He may reject all license applications for good cause.

Executive Director's Authority

The executive director may require that vendors and affiliate licensees maintain their books in any manner he considers best and prepare financial or other statements based on them in accordance with generally accepted accounting principles in the form he prescribes. He or his designee may visit, investigate, and place expert accountants and others he considers necessary in the licensees' offices or business places to determine if they are complying with DSR regulations.

License Suspension and Revocation and Appeals

As with current practice for existing licensees, the executive director may suspend or revoke any license for good cause after a UAPA hearing. He may also order summary suspension of any license. An applicant or licensee aggrieved by the executive director's action on any license or application may appeal to the Gaming Policy Board within 15 days after the action and may appeal the board's decision to Superior Court.

The executive director may, after a UAPA hearing, impose a civil penalty on any licensee of up to \$2,500 for a violation of the laws governing licensees or regulations implementing the licensing provisions.

Definitions

Under the bill, (1) a business organization is a partnership, incorporated or unincorporated association, firm, corporation, trust, or other form of business or legal entity and (2) a person has control if he

has the power to exercise authority over or direct the management and policies of a licensee.

COMMITTEE ACTION

Public Safety Committee

Joint Favorable Report

Yea 22 Nay 0